



## RECEIVERSHIP & ASSET MANAGEMENT SERVICES

## THE CAPSTONE PLATFORM

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### Capstone Platform

Institutional Fiduciary With 13 Years of Asset Management Experience



Asset Managed More Than 125 Projects Valued at Over \$5 Billion



Experience as Capital Provider, Asset Manager, Operator and Developer



Senior Management Team Has Operated Together for Over 10 Years



No Contingent Liabilities



No "Legacy" Transactions to Dilute Management Efforts



Institutional Quality Systems



Sophisticated Risk Management and Reporting



Management Team Averages Over 20 Years of Experience



Excellent Industry Reputation



## THE CAPSTONE SOLUTION

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Capstone Advisors' broad experience as a property owner, asset manager, developer and capital provider uniquely qualifies Capstone Advisors for large and complex project management assignments and receiverships. The company's long history of owning, developing and managing large-scale residential and commercial real estate projects provides the expertise to offer best in class third-party asset management and receivership services.

Capstone Advisors has a long history of fiduciary relationships with our clients. As a fiduciary for several institutional partners, we have managed over \$2 billion in cash receipts from home sales, lot sales, property sales, equity investments and business operations, Capstone has excellent systems in place to maintain tight control over financial resources, cash management, and project accounting and reporting.

Our clients rely on our fully integrated real estate services. We are known for:

- The ability to respond quickly to determine and achieve asset specific goals on complicated real estate projects through changing market conditions
- The ability to successfully manage complex assets through the difficult issues surrounding ground up development, significant asset reposition and successful asset sale
- A strong network of service providers to assist in a variety of project related needs, including long-term relationships with premier law firms, DRE processors, insurance companies, and property leasing and management firms
- Superior risk management controls and sophisticated accounting and project reporting

Capstone Advisors is comprised of a team of real estate professionals with diverse educational and business backgrounds. The management team of the company is comprised of professionals with credentials and backgrounds that include CPAs, MBAs, architecture, law, banking, brokerage, business management consulting, engineering, development, property management and leasing. We average more than 20 years of real estate experience, and use our extensive knowledge to identify and quickly execute opportunities to achieve our clients' goals and objectives.

## THE CAPSTONE SOLUTION

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Capstone has the expertise to go beyond typical receivership and standard asset management skills and can enhance asset value by performing the following services:

- Completing foreclosure of loans or partnership interests
- Entitlement processing, including preservation of entitlements, project re-design and re-entitlement
- Residential lot sales management, including structuring rolling takedowns, joint-ventures, profit participations and outright sales
- Completing and selling residential standing inventory
- Project disposition services
- Governmental agency interaction and processing
- Commercial property leasing and property management oversight
- Marketing, tenant retention and procurement programs
- Retail and office property repositioning
- Contract negotiation for asset sales, services and joint ventures
- Construction management and oversight
- Budgeting, accounting and reporting
- Litigation management
- Risk management

## RESIDENTIAL ASSET MANAGEMENT

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Successful residential development is difficult to achieve even in good times. During times of economic turmoil, it is even more critical to handle at-risk assets quickly to minimize the market perception of a “troubled” project, preserve the value, and minimize potential liabilities and litigation risk. Our extensive experience from managing 125 residential and commercial assets for clients such as Credit Suisse First Boston, JP Morgan Chase, Lehman Brothers and Bank of Montreal allows us to quickly and smoothly evaluate and integrate into any project. Capstone Advisors’ unique qualifications encompass the critical components of successful asset management: extensive hands-on experience in project management, construction, entitlement and disposition services.

- Capstone Advisors has intimate knowledge of the California residential market through its many investments and management assignments, giving us up-to-the-minute land and home valuations and market trends
- Capstone has been the investor or owner of 100 residential ventures which built 5,000 homes and entitled 27,000 lots
- The firm has extensive experience and governmental relationships with planning departments, city councils, boards of supervisors, and major regional agencies
- Capstone has worked with many of the major construction contractors, subcontractors, vendors and project consultants in the Southern California residential and commercial development industry
- Capstone has long-standing relationships with the leading public and private merchant homebuilders and the premier residential land brokers throughout the Western United States. Our extensive experience buying and selling residential land as principal makes us uniquely qualified to protect against the “retrading” of price that happens frequently when selling complicated land assets
- Capstone works with the leading real estate law firms within the state and is adept at structuring complicated lot sales contracts. This includes negotiating and documenting state-of-the-art profit sharing participations, cost sharing and joint-venture agreements

## COMMERCIAL ASSET MANAGEMENT

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Capstone has owned, developed or managed more than 5.3 million square feet of office, retail, and flex-industrial property through out the United States. Capstone Advisors' first core business model was purchasing "value added" multi-tenant real estate, repositioning properties once acquired, and then selling the projects as soon as practical to maximize investment returns.

Capstone draws upon a deep pool of talent from the firm's employees and its long-term third-party relationships to develop and implement a strategic plan for each property. The plan integrates hands-on active asset management, prudent property management, effective marketing and advertising, and aggressive leasing and repositioning strategies to create and maintain value at each property. Each strategic plan is comprised with the goals of the client in mind, and consists of recommendations to improve the asset by enhancing revenue streams and implementing expense controls. Capstone is cognizant of market strategies and ensuring lease terms are negotiated and structured to be consistent with our client's investment objectives.

As developers and long-term commercial property owners, we apply a comprehensive, proactive approach to the commercial properties we manage, integrating tenant retention strategies, onsite physical maintenance, and financial support services to maximize asset values.

As a real estate investor and developer, Capstone has first-hand knowledge of what it takes to successfully manage a wide variety of commercial real estate. This knowledge enables us to make suggestions based on experience and a broader understanding of the investment cycle that will help clients achieve their goals. Whereas a traditional property manager concentrates on a more narrow set of objectives, with our investor background, we provide value by analyzing property results and opportunities with an ever-increasing emphasis on improving income and asset value.

## CAPSTONE OVERVIEW

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Founded in 1997 as a joint venture partner, advisor and asset manager for one of the world's largest financial institutions, Capstone Advisors is a diversified real estate organization with a history of proven investment, development and management strategies. Highlights of Capstone's experience include:

### **Residential:**

- Capstone Advisors has invested nearly \$400 million of equity in 100 residential developments representing a total build-out value of over \$4 billion and approximately 32,000 homes and lots
- Property types include entry-level production home building, move-up and high-end homebuilding, second home projects, land entitlement transactions, custom luxury homes, luxury community lot sale projects, attached and detached condominiums and condominium conversions
- Capstone has a long track record of selling home inventory and residential lots

### **Commercial:**

- Capstone has acquired and/or managed over 5.5 million square feet of commercial real estate throughout the United States
- Property types have consisted of anchored and unanchored retail, CBD office, suburban office, flex-industrial, R&D, warehouse/distribution and mixed-use
- Capstone has developed (including acquiring land, obtaining governmental entitlements and constructing) a variety of anchored retail centers in Southern California
- Capstone has conceived, planned and executed numerous capital improvement projects that have enhanced desirability, efficiency, financial performance and asset value
- Capstone has a long track record of successfully managing the sale of large and complicated commercial assets

## REPRESENTATIVE ASSET MANAGEMENT ASSIGNMENTS

The following table summarizes some of the other assets that Capstone Advisors has managed on behalf of institutional investors and private owners:

### *Mixed-Use:*

PROJECT NAME	LOCATION	RETAIL SQUARE FOOTAGE	NO. OF LOTS/HOMES
Harrison	Coachella, CA	292,489	282 SFD
Van Buren Plaza	Coachella, CA	50,732	167 SFD
Panno Ranch	Brawley, CA	107,500	246 SFA
Walco	Imperial, CA	25,000	280 SFD

### *Residential:*

PROJECT NAME	LOCATION	TYPE	NO. OF LOTS/HOMES
Shores at Anderson	Chandler, AZ	Condo Conv	298
San Mateo	Phoenix, AZ	Condo Conv	348
Bella Vita	Scottsdale, AZ	Condo Conv	300
Arantine Hills	Corona, CA	Entitlement	1,185
Cimmaron	Corona, CA	Entitlement	190
Waterford	El Centro, CA	Entitlement	1,921
Imperial Din	Imperial, CA	Entitlement	261
Parthenia	Northridge, CA	Apartments	338

## REPRESENTATIVE ASSET MANAGEMENT ASSIGNMENTS

Residential continued:

PROJECT NAME	LOCATION	TYPE	NO. OF LOTS/HOMES
Warner Ranch	San Diego, CA	Entitlement	781
San Jacinto	San Jacinto, CA	Entitlement	605
Western Village	San Jacinto, CA	Entitlement	294
Temecula Estates	Temecula, CA	Entitlement	79
Winchester Ranch	Menifee, CA	Land Development	377
Mapleton	Murrieta, CA	Land Development	942
Cobblestone	Orcutt, CA	Land Development	110
Lake Las Vegas Lots	Henderson, NV	Land Development	49
Fiesta de Vida	Indio, CA	Loan Servicing	940
Northridge	Northridge, CA	Loan Servicing	202
Pismo Beach Hotel	Pismo Beach, CA	Loan Servicing	68
Poipu Beach	Kauai, HI	Loan Servicing	279
Pasadera at PGA West	La Quinta, CA	SFD Homebuilding	92
Arboretum	Murrieta, CA	Condominium	204
La Viña Estates	Altadena, CA	SFD Homebuilding	26
Haciendas	Carlsbad, CA	SFD Homebuilding	70
Ventana	Chula Vista, CA	SFD Homebuilding	117
Willows	Corona, CA	SFD Homebuilding	109
Talon's Reach	El Cajon, CA	SFD Homebuilding	44

## REPRESENTATIVE ASSET MANAGEMENT ASSIGNMENTS

*Residential continued:*

PROJECT NAME	LOCATION	TYPE	NO. OF LOTS/HOMES
Buena Vista	El Centro, CA	SFD Homebuilding	465
Treasures	Escondido, CA	SFD Homebuilding	178
Montreux	Escondido, CA	SFD Homebuilding	68
Heritage Valley	Fillmore, CA	SFD Homebuilding	125
Masters	La Quinta, CA	SFD Homebuilding	69
Heritage	Lancaster, CA	SFD Homebuilding	82
Via Del Rey	Moreno Valley, CA	SFD Homebuilding	146
Verona	Murrieta, CA	Condominium	300
Murrieta Oaks	Murrieta, CA	SFD Homebuilding	537
Bridle Ridge	Oakdale, CA	SFD Homebuilding	92
Santo Tomas	Rancho Mirage, CA	SFD Homebuilding	152
Redlands	Redlands, CA	SFD Homebuilding	102
Garden Gate at 4S Ranch	San Diego, CA	SFD Homebuilding	133
San Elijo	San Marcos, CA	SFD Homebuilding	86
Valle di Oro	Santa Clarita, CA	Condominium	111
Crowne Hill	Temecula, CA	SFD Homebuilding	100
The Landing	Perris, CA	Entitlement	128

## REPRESENTATIVE ASSET MANAGEMENT ASSIGNMENTS

*Commercial:*

PROJECT NAME	LOCATION	PRODUCT TYPE	SQUARE FOOTAGE
Jackson Square	Coachella, CA	Retail	136,452
The Lumberyard	Encinitas, CA	Retail	80,486
La Puente Pavilion	La Puente, CA	Retail	43,760
USA Shoppes	Arcadia, FL	Retail	98,395
Forest Oaks Plaza	Pensacola, FL	Retail	117,633
Concord Mall	Elkhart, IN	Retail	606,046
Garner Plaza	Garner, NC	Retail	138,087
Knightdale Crossings	Knightdale, NC	Retail	62,625
Festival at Old Bridge	Lake Ridge, VA	Retail	235,020
Olde Towne	Richmond, VA	Retail	91,494
Andreson Building	San Bernardino, CA	Office	55,128
O'Hare Lakes	Chicago, IL	Office	729,734
Penobscot Building	Detroit, MI	CBD Office	1,007,963
First National Building	Detroit, MI	CBD Office	765,008
Southgate	Bloomington, MN	Office	206,502
Call Center Portfolio	Dallas, TX	Office	409,128

## REPRESENTATIVE ASSET MANAGEMENT ASSIGNMENTS

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*Commercial continued:*

PROJECT NAME	LOCATION	PRODUCT TYPE	SQUARE FOOTAGE
Taylor Made	Carlsbad, CA	Industrial	85,165
BE Aerospace	Irvine, CA	Industrial	106,676
Nissan (5 buildings)	Vista, CA	Industrial	125,000
Creative Nail	Vista, CA	Industrial	55,300
Founders	Vista, CA	Industrial	46,031
Fujikura	Vista, CA	Industrial	36,264
Case Logic	Longmont, CO	Industrial	158,127

## SELECTED RESUMES | Alex Zikakis - *President*

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As President and founder, Alex Zikakis oversees the company's full range of residential and commercial real estate services, including equity investments in land development and home-building joint ventures, commercial property development, commercial and residential property asset management, institutional investment strategies and commercial property acquisitions and repositioning.

Under his direction, Capstone Advisors has been an equity investor in over \$4 billion of residential development ventures, purchased more than 4 million square feet of commercial properties, overseen third-party asset management services for over 1.5 million square feet of retail and office properties, and is currently developing over 500,000 square feet of commercial projects.

Prior to founding Capstone in 1997, Mr. Zikakis was with Kenneth Leventhal & Company in San Diego where he assisted in the valuation and disposition of more than \$1 billion of commercial and residential real estate assets and real estate-secured mortgages. His duties also included conducting feasibility studies, strategic planning, and portfolio dispositions for financial institutions. He previously served as Senior Vice President of a regional real estate company that specialized in trading commercial real estate-secured mortgages. His professional history also includes experience in investment banking with Merrill Lynch & Company in New York City.

Mr. Zikakis holds a Master of Business Administration from Cornell University and a Bachelor of Science degree in finance from the University of Colorado at Boulder. He is a member of the Building Industry Association, the International Council of Shopping Centers, the National Association of Industrial and Office Properties and the Urban Land Institute. He serves on the Advisory Board for the Program in Real Estate at both Cornell University and the University of San Diego. Mr. Zikakis was awarded the 2005 Ernst & Young Entrepreneur of the Year award for real estate and financial services.

## SELECTED RESUMES | John Trotter - *Senior Vice President*

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As Senior Vice President, John Trotter oversees the company's residential real estate activities. Under the direction of Mr. Trotter, Capstone Advisors has been the equity partner or mezzanine lender in more than \$4 billion of residential development ventures since 2000.

Prior to joining Capstone Advisors in 1997, Mr. Trotter served as a Manager of Real Estate Consulting with Kenneth Leventhal & Company in San Diego. During his eight years there, his duties included supervising feasibility studies, strategic planning, and managing over \$2 billion in portfolio dispositions for a variety of financial institutions.

Mr. Trotter previously served as a Finance Manager for McMillin Communities, the largest locally-based homebuilder in San Diego County. His projects ranged from large master-planned communities to single subdivisions.

Mr. Trotter holds a Master of Business Administration (with an emphasis in real estate) from the University of California at Berkeley and a Bachelor of Science degree in accounting from California State University at Fresno. He was a member of the Board of Directors for the Building Industry Association (BIA), and is a licensed California Real Estate Broker and a Certified Public Accountant in the states of California and Florida.

## SELECTED RESUMES | **Ira Schwartz** - *Senior Vice President*

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As Senior Vice President, Ira Schwartz oversees the firm's commercial real estate activities including management of the firm's nationwide real estate portfolio, new development projects and acquisition of new assets. During Mr. Schwartz's 25-year real estate career, he has acted as the owner's representative for more than 10 million square feet of retail, office and industrial properties throughout the United States.

Mr. Schwartz's individual accomplishments include the acquisition and disposition of more than 300 acres of land and 1.2 million square feet of operating real estate assets; obtaining entitlements for nearly 100 acres of commercial and residential land; development and redevelopment of retail and office properties totaling nearly 150 acres and 1 million square feet; soliciting, negotiating and closing equity and debt financing transactions totaling more than \$100 million; and asset management of several real estate portfolios with both long-term and short-term ownership strategies.

Mr. Schwartz started his real estate career in 1983 with The Hahn Company where he was involved with the management and development of a nationwide regional mall portfolio totaling more than 30 million square feet. He later spent more than eight years with Burnham Pacific Properties and John Burnham and Company acquiring, managing and redeveloping commercial real estate in Southern California, before joining Capstone Advisors in 1999.

Mr. Schwartz holds a Bachelor of Arts degree from The George Washington University and a Master of Business Administration from United States International University. He is a member of International Council of Shopping Centers (ICSC).

## SELECTED RESUMES | Justin Bert - *Vice President*

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As Vice President, Justin Bert is responsible for all loan origination and acquisition activities at Capstone Advisors. Under his direction, Capstone has invested over \$150 million in first mortgage and mezzanine projects throughout the Western United States. In addition, Mr. Bert has actively managed Capstone's investment in a 1,362-lot master-planned community in the Coachella Valley including construction of infrastructure, processing entitlements, CFD management, interfacing with all governmental agencies and managing master marketing on behalf of the merchant builders.

Prior to joining Capstone Advisors in 2003, Mr. Bert was with Artesian Capital Partners where, as a principal, he acquired and renovated multifamily properties in Southern California. In addition, Mr. Bert spent two years at Precept Corporation where he opened and managed an underwriting center for a national commercial real estate mortgage underwriting and on-line auction firm.

Prior to Precept Corporation, Mr. Bert spent four years as Vice President in the Los Angeles office of Nomura Securities International where he managed a large loan banking team which originated in excess of \$2.5 billion in real estate financings including permanent loans, bridge loans, construction loans, forward takeouts, mezzanine loans, acquisitions lines and joint venture equity.

Mr. Bert holds a Master of Business Administration (with an emphasis in Real Estate Finance) from San Diego State University and a Bachelor of Arts in Quantitative Economics and Decision Sciences from the University of California at San Diego.

## SELECTED RESUMES | Tom Carter - *Chief Financial Officer*

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As Chief Financial Officer, Tom Carter is responsible for the sourcing and directing of project and corporate level debt and equity capital; overseeing accounting, treasury, human resources and technology; and coordinating audit and risk management activities.

Prior to joining Capstone Advisors in 2005, Mr. Carter served as Executive Vice President and Chief Credit Officer of Legacy Bank where he was responsible for all lending activity and also participated in the institution's successful capitalization and ultimate merger with another community bank.

In his banking career, Mr. Carter also served as Chief Credit Officer of First National Bank in San Diego, Fidelity Federal Bank, and HomeFed Bank. In those positions, Mr. Carter managed substantial loan and real estate portfolios of \$500 million to over \$10 billion, line lending units, and credit administration departments. Mr. Carter has also been a Director of KPMG Consulting (now Bearing Point) in the financial services-risk solutions practice working with large- and medium-size financial institutions in the United States and Mexico. Mr. Carter is a board member of Community HousingWorks, a non-profit that provides affordable housing and other community support programs to San Diego neighborhoods.

Mr. Carter holds a Juris Doctor from the University of San Diego School of Law, a Master of Business Administration from Amos Tuck School of Business at Dartmouth College and a Bachelor of Arts degree from Brown University. He is a member of the California State Bar (inactive).

## CAPSTONE CASE STUDY

### San Fernando Valley Multifamily Development Site

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- Consulted for the lender on a \$25.7 million defaulted A&D and Construction loan secured by 4.27 acre parcel entitled for a 338-unit multifamily development with 15,500 square feet of retail space
- Prepared detailed land residual based upon the current development plan and market conditions including updating a detailed development cost study
- Comprehensively reviewed existing entitlements, permits and approvals including the cost and process to amend, extend or abandon the current development plan
- Conducted meetings with local planning staff and government officials to determine potential issues related to revising the current development plan
- Provided recommendations for alternate land uses and site development plans that would result in a significantly higher land residual than the current plan
- Managed site maintenance and security including SWPPP compliance
- Researched and managed potential revenue generating interim site uses

## CAPSTONE CASE STUDY

### Ground-up Condominium Experience

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Asset manager on the build out of condominium projects totaling 725 units

- Coordinated the implementation of the business plan for the projects
- Reviewed construction contracts, draws and home closings for conformity to quarterly budgets
- Site visits for verification of construction schedule
- Oversaw the marketing and sales program for the units
- Ensured property had proper and adequate insurance for protection from future defect litigation
- Audit of project at completion for any deviations with operating and sales, marketing and development agreements

## CAPSTONE CASE STUDY

### Condominium Conversion Experience

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Asset manager on condominium conversion projects totaling 946 units

- Development and implementation of the properties' strategic plans
- Have functioned as the operating partner for one project when partner was removed by the mezzanine lender
- Oversaw the marketing and sales program for the units and the complete marketing and sale of Phase 2 at one project that totaled 80 units
- Ensured property had proper and adequate insurance for protection from future defect litigation
- Coordinated the conversion construction work with the vacant units while minimizing the disruption to current residents
- Interfaced with senior lenders for individual unit releases and extension of senior loans

## CAPSTONE CASE STUDY

### Hemet Valley Partially Completed Subdivision

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Capstone created and implemented an asset management plan for the acquisition of an A&D and Construction loan totaling \$12.6 million. The loan was collateralized by four model homes, two standing inventory units, 88 finished single-family detached lots (14 of which have slabs) and 71 partially finished single-family detached lots.

During this engagement, Capstone designed and implemented a full-service plan that included the following:

- Legal entity structuring to move the loan to a new entity for maximum legal protection
- Managed the trustee sales process, including setting credit bid strategy
- Foreclosed out all debt, including \$4 million of subordinate debt and mechanic liens of \$4.2 million
- Managed litigation with guarantor
- Handled remediation of significant environmental issues affecting standing inventory
- Conducted city negotiations to secure certificates of occupancy for standing inventory
- Repaired and completed construction of standing home inventory
- Secured and preserved the remaining lots
- Placed adequate and appropriate insurance
- Worked with legal counsel to draft appropriate disclosure documents
- Selected and hired resale agent to handle sales of standing inventory

As part of the engagement, Capstone held extensive meetings with the city to negotiate items to be completed in order to obtain certificate of occupancies for the nearly completed houses. The city had an extensive list of open items dating back to the original developer they wanted finished before they would issue any certificates. Capstone negotiated with the city and eventually reached an agreement where the lender was allowed to stage the work that needed to be done so it followed the closing of the units, minimizing additional capital outlays.

## CAPSTONE CASE STUDY

### South Riverside County Partially Completed Subdivision

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Capstone created and implemented an asset management plan for the purchase of an A&D and Construction loan totaling \$4.5 million. The loan was collateralized by three model homes and a tentative map for 61 substantially finished single-family detached lots.

During this engagement, Capstone designed and implemented a full-service plan that included the following:

- Legal entity structuring to move the loan to a new entity for maximum legal protection
- Managed the trustee sales process, including setting credit bid strategy
- Foreclosed out all debt and mechanic liens
- Handled city negotiations to secure certificates of occupancy for standing homes
- Secured improvement bonds needed to finalize map in order to be able to sell the standing home inventory, which consists of the model home complex
- Drafted CC&Rs which were necessary to finalize the map
- Secured the issuance of the final map as well as map extensions
- Oversaw the design and installation of permanent utility hookups for the standing inventory
- Repaired and completed construction of standing home inventory
- Secured and maintained remaining residential lots
- Placed adequate and appropriate insurance
- Worked with legal counsel to draft appropriate disclosure documents
- Selected and hired resale agent to handle sales of standing inventory

## CAPSTONE CASE STUDY

### Perris Expired Tentative Tract Map

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Capstone created and implemented an asset management plan for the purchase of a bank REO property comprising 34 acres with an expired tentative tract map approved for 128 single-family lots.

- Acquired for \$2,500 per lot
- Met and negotiated with city officials to accept an application to reinstate the expired tentative map
- Subsequent to closing, the expired tentative tract map was successfully extended adding value of approximately \$6,000 per lot and increasing proceeds by 240%

## CAPSTONE CASE STUDY

### Los Angeles County Partially Built Homebuilding Project

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A mid-sized Orange County-based homebuilder received a mezzanine loan from a lender for construction of the remaining 26 homes of a larger project in Los Angeles County. At the time the loan was made, nearly all of the homes were sold and under construction. After four homes were completed and closed, the construction on the project slowed dramatically. The mezzanine lender hired Capstone to asset manage the project. Capstone quickly determined that the developer had overstated the project's progress and was drawing advances from the senior loan in excess of costs. In addition, the homebuilder had taken escrow and option deposits from homebuyers and used those funds for other uses.

During this engagement, Capstone designed and implemented a full-service plan that included the following:

- Legal entity structuring to accept a deed-in-lieu while retaining foreclosure rights for maximum legal protection and flexibility
- Negotiated a loan modification with the existing senior lender on the project to keep the senior loan out of default
- Negotiated a settlement with the homebuilder whereby they forfeited their interests in two other projects they had with mezzanine lender
- Managed the trustee sales process, including setting credit bid strategy
- Foreclosed out all mechanic liens and purchase contracts
- After failed negotiations, managed litigation with the bonding company due to the bonding company's default under their obligation to protect the homebuyers' deposits. Negotiated a settlement payment for substantially a full claim from the bonding company

## CAPSTONE CASE STUDY

### Los Angeles County Partially Built Homebuilding Project (continued)

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- Bid out the home construction costs and hired subcontractors to finish the homes
- Obtained certificate of occupancies for the remaining houses
- Held numerous meetings with the prior prospective homebuyers allowing Capstone the ability to keep the project out of protracted litigation while selling the remaining homes
- Placed adequate and appropriate insurance
- Worked with legal counsel to draft appropriate disclosure documents
- Selected and hired resale agent to handle sales of standing inventory
- Sold all homes after determining revised prices for the remaining homes
- Capstone's efforts generated sales proceeds that were substantially in excess of those needed to repay both the senior and mezzanine lender

## CAPSTONE CASE STUDY

### Wildomar Land Development Project and Jurupa Land Sale Project

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A homebuilder relinquished its joint venture interests to an institutional investor. Capstone was retained by the investor to provide asset management services. The project was comprised of (i) land in Wildomar, California with tentative map approval for 96 homes and (ii) land in Jurupa, California with tentative map approval for 51 homes.

Capstone created and implemented an asset management plan that included the following:

- Completed the final engineering on the Wildomar project
- Cleared all permit requirements and finalized the map on the Wildomar project
- Bid out the lot development costs and hired subcontractors to grade the property
- Marketed and sold the project without a broker
- Structured a sale with the requirement that the buyer take over the grading and provide an indemnification to the owner
- Undertook value engineering the Jurupa project to reduce the development costs and improve the land residual
- Marketed and sold the property to a homebuilder without employing an outside broker
- Placed adequate and appropriate insurance
- Generated profits substantially in excess of the investor's basis

## CAPSTONE CASE STUDY

### La Puente Pavilion

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At the request of an institutional client, Capstone created and executed an asset management and disposition plan for the sale of La Puente Pavilion. La Puente Pavilion, a 43,760 square foot retail center located in an Hispanic submarket of Los Angeles County, was acquired by our client following foreclosure. The property was 26% occupied and much of the available space was obscured from passing traffic by street-front pad buildings owned by others. The largest vacant space, which represented 38% of the property's floor area, was over-improved and uninhabitable. The client's objective was to dispose of the property with minimal additional capital investment.

Capstone designed and implemented the following asset management program for La Puente Pavilion:

- Created a strategic plan that outlined the various measures that would be undertaken to achieve the client's objective
- A Hispanic market specialist was identified and hired to market the property for lease and sale
- In addition to performing basic property management evaluations and tasks (which are outlined in more detail in The Andreson Building Case Study), Capstone worked with a general contractor and created an exterior improvement plan that would increase the building's visibility from the street
- Capstone met with the City of La Puente regarding pylon and monument signage for the property
- Capstone selected and worked with a general contractor to create a construction budget for the exterior improvements, that would restore the large vacancy to "shell" condition and expand it by incorporating adjacent vacant space. A sign contractor was consulted to prepare a budget for pylon and monument signage
- Capstone managed the efforts of property's real estate broker to market the property for lease and for sale. Leasing efforts were focused on retail chains whose products and services were primarily aimed at Hispanic consumers. Disposition efforts were directed toward developers and "value-add" investors

## CAPSTONE CASE STUDY

### La Puente Pavilion (continued)

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- Obtained and negotiated a letter of intent from a retailer who sold hard goods (e.g. electronics, appliances, etc.) in Hispanic communities in the Western and Southwestern United States
- Simultaneously obtained several letters of intent to purchase the property from developers and a local investors who were encouraged by Capstone's redevelopment plan and the letter of intent from a large regional tenant
- Compiled and organized property information to facilitate prospective buyers' due diligence
- Negotiated letter of intent with prospective purchaser and worked with the client's attorney to negotiate purchase and sale agreement
- Worked with buyer throughout the due diligence period and managed closing process
- Property was sold 11 months from commencement of the assignment at a 26% premium over the client's expectations

## CAPSTONE CASE STUDY

### Festival at Old Bridge

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- 235,000 square foot shopping center on 21.9 acres in suburban Washington D.C.
- Property suffered from 67% occupancy with a weak shadow anchor grocer, poor expense controls and physical obsolescence
- To create value Capstone:
  - Purchased the shadow anchor and signed a 20 year lease with a major grocery chain
  - Hired new management and leasing representatives
  - Focused on expense reimbursements in new leases and existing tenant billings
  - Executed a capital expenditure program to eliminate physical obsolescence
- Capstone's management efforts resulted in:
  - 96% occupancy
  - 58% increase in expense recoveries
  - 92% tenant retention
  - Cap rate reduction due to anchor being controlled by ownership
  - Increase in value in excess of \$8 million

## CAPSTONE CASE STUDY

### O'Hare Lake Office Plaza

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- 729,734 square foot 5 building office park on 47.4 acres located in suburban Chicago, IL. Site amenities included a 600,000 square foot man-made lake that was surrounded by the buildings
- Retained by institutional investor to provide asset management services. Capstone replaced the investor's operating partner whose performance suffered following elimination of its financial incentives
- Property suffered from 67% occupancy with a shadow anchor grocer that announced its intention to leave the D.C. market, poor expense controls and billing practices and physical obsolescence
- Capstone created and executed a business plan for the asset whose highlights included:
  - Performing market & financial analysis to position the property for sale and/or refinancing within 9-12 months
  - Negotiating a lease renewal with a 79,989 square foot who was in active negotiations to leave the project
  - Scope, bid & complete lease required capital expenditures for the building's largest tenant (214,632 sq. ft.)
  - Work with leasing agent to complete renewals and improve occupancy and lease terms
  - Work with property manager to control expenses & improve tenant relations & accuracy of tenant billings
- Capstone's management efforts resulted in:
  - Renewal of the 79,989 square foot tenant at better terms than were offered by Capstone's predecessor
  - Market analysis and Argus cash flows for sale, partial sale and refinancing scenarios
  - Completed lease required capital expenditures at 27% savings over inherited estimates
  - Completed more than 115,000 square feet of leasing transactions in the first six months of the engagement
  - Directed the completion of upgrades to elevators, mechanical systems & interior common areas
  - Prioritized tenant litigation, focusing only on cases that were likely to result in net cash recoveries
  - Positioned a 214,632 sq. ft. building for sale, including negotiating right of first offer with a federal government tenant

## CAPSTONE CASE STUDY

### Andreson Office Building

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At the request of an institutional client, Capstone created and executed an asset management and disposition plan for the sale of The Andreson Building. The Andreson Building, a 55,128 square foot office building located in the central business district of San Bernardino, California, was acquired by our client following foreclosure. The building, which was built in 1927, suffered from the prior owner's general neglect, deferred maintenance, low occupancy and depressed sub-market location. The client's objective was to dispose of the building within 12 months with a minimum amount of additional capital investment.

Capstone designed and implemented the following asset management program for The Andreson Building:

- Created a strategic plan that outlined the various measures that would be undertaken to achieve the client's objective
- Performed an in-depth assessment of the surrounding sub-market and the building's physical condition. Outlined capital, repair and maintenance priorities for the building
- Hired and directed a local property management firm to address the property's day-to day needs. Prepared an operating and capital expense budget for the property
- Hired and directed a local leasing broker to market the building for lease to prospective tenants
- Focused the property manager on addressing safety and maintenance issues, tenant relations, and interaction with local vendors to ascertain the condition of basic building systems
- Obtained and reviewed a preliminary title report and property encumbrance documents. Worked with title officer to eliminate obsolete title exceptions

## CAPSTONE CASE STUDY

### Anderson Office Building (continued)

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- Met with city to discuss the recorded Parking Agreement and government initiatives regarding the CBD
- Identified and interviewed several investment sale brokers who would market the property for sale
- Fine-tuned the selected broker's offering memorandum and marketing materials
- Compiled and organized property information to facilitate prospective buyers' due diligence
- Managed the disposition marketing program, interacting with owner's broker and prospective buyers
- Obtained five offers to purchase the property from local investors. Negotiated letters of intent and met with two prospective purchasers. Provided analysis of offers and recommended course of action to client. Worked with our client's attorney to negotiate purchase and sale agreement
- Worked with buyer throughout its due diligence period and managed closing process
- Transaction closed in 75 days following agreement upon a letter of intent with the buyer, 51 days following execution of the purchase and sale agreement and approximately nine months from the beginning of the assignment. The sale price represented a 34% premium over the client's expectations